



Committee on Asset and Resource Management

Trustee Oswald K. Stender, *Chair*

Trustee Robert K. Lindsey, Jr., *Vice-Chair*

*Members*

Trustee Rowena Akana

Trustee Peter Apo

Trustee S. Haunani Apoliona

Trustee Donald B. Cataluna

Trustee Hulu Lindsey

Trustee Colette Y. Machado

Trustee John D. Waihee, IV

**STATE OF HAWAII'**  
**OFFICE OF HAWAIIAN AFFAIRS**  
711 KAPI'OLANI BOULEVARD, SUITE 500  
HONOLULU, HAWAII 96813

Office of Hawaiian Affairs  
**COMMITTEE ON ASSET AND RESOURCE MANAGEMENT**  
(ARM)

DATE: Wednesday, April 18, 2012

TIME: 10 a.m.

PLACE: OHA Board Room, 5<sup>th</sup> Floor at above address

AGENDA

- I. Call to Order
- II. Approval of Minutes
  - A. March 28, 2012
  - B. April 4, 2012
- III. Community Concerns/Beneficiary Comments
- IV. New Business\*
  - A. PKF Hawaii LLC Auditor Presentation
  - B. ARM 12-03: Review of Native Hawaiian Trust Fund Spending Policy and Its Related Fiscal Reserve Withdrawal Guidelines
  - C. ARM 12-04: Contract #2337 Supplemental Agreement #1 – DHHL Debt Service
- V. Executive Session\*\*
  - A. Attorney-Client legal advisory by OHA Attorney Ernest M. Kimoto, Esq. and Attorney Sheryl L. Nicholson, Esq., regarding questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities with respect to OHA's Limited Liability Corporations *pursuant to HRS 92-4 and HRS 92-5(a)(4)*
- VI. Announcements
- VII. Adjournment

\*The 72 hour rule, pursuant to OHA Operations Guide, may be waived for distribution of new committee materials.

\*\*This portion of the meeting will be closed pursuant to HRS 92-5. For further information, please call 594-1954.

A handwritten signature in black ink, appearing to read "Oswald Stender", written over a horizontal line.

Trustee Oswald Stender, Chair  
Committee on Asset and Resource Management

A handwritten date "4/9/12" in black ink, written above a horizontal line.

Date

12 APR -9 AM:18  
LIEUTENANT GOVERNOR  
OFFICE

**Office of Hawaiian Affairs  
711 Kapi'olani Blvd., Ste. 500  
Honolulu, HI 96813**

**Committee on Asset & Resource Management  
(ARM)**

**April 18, 2012**

**MINUTES**

**Trustees Present:**

Trustee Oswald Stender, Chair  
Trustee Rowena Akana  
Trustee Haunani Apoliona  
Trustee Hulu Lindsey  
Trustee Colette Machado  
Trustee John Waihe'e, IV

**Trustees Excused:**

Trustee Peter Apo  
Trustee Donald Cataluna  
Trustee Robert Lindsey, Vice Chair

***\*\*Note: Trustee Akana departed for the State Capitol at 10:14 a.m. and returned at 11:17 a.m.***

**BOT Staff:**

Shelsea Apana  
Makana Chai  
Lei-Ann Durant  
Reynold Freitas

Lehua Itokazu  
Ani Pang  
Shirley Nakanishi  
Nathan Takeuchi

**Administrative Staff:**

Kamana'opono Crabbe, Chief Executive Officer  
Hawley Alamodin, Chief Financial Officer

Ernie Kimoto, Corporate Counsel

Aedward Los Banos

Dirk Soma

**Guests:**

PKF Hawaii LLC  
Lawrence Chiu  
Dwayne Takeno

Sheryl Nicholson  
Jeff Piper

### **CALL TO ORDER**

The meeting was called to order by Chair Oswald Stender at 10:05 a.m.

### **APPROVAL OF MINUTES**

Trustee Machado MOVED, SECOND by Trustee Hulu Lindsey to approve the minutes of the March 28, 2012 and April 4, 2012 meetings of the Committee on Asset and Resource Management.

MOTION PASSED by a unanimous vote of 6 – 0.

### **COMMUNITY CONCERNS**

None

### **NEW BUSINESS**

#### **A. PKF Hawaii LLC Auditor Presentation**

Dwayne Takeno and Lawrence Chiu presented the Trustees with their findings in OHA's June 30, 2011 Financial Statements.

Regarding the report titled: "OMB Circular A-133," Mr. Takeno reported:

- Financial Statements – Unqualified (best audit report an organization can obtain) – see Page 10
- Internal Control over Financial Reporting – One material weakness related to investment transactions just before year-end was noted. During reconciliation, a discrepancy was found with a few investment movements (i.e. movement within the portfolio between advisors and managers). PKF proposed an adjustment in order to record the difference. The figures are now properly stated – see Page 11
- Internal Control over Major Programs – OHA receives federal funding so compliance tests were conducted in order to make sure OHA meets all federal funding guidelines. Two material weaknesses were found in OHA's Distance Learning Program (installation of technology at various locations): cash management and reporting requirements. There were personnel turnovers and delays in equipment installation that were found to be a factor in these weaknesses. OHA administration continues its work to correct these weaknesses.
- Compliance with Federally Funded Programs - Unqualified.

Mr. Takeno thanked the Trustees and the CFO for the opportunity to work with OHA. The audits have been filed with the Federal Government for review. If any questions are raised, OHA or PKF Hawaii LLC will be contacted.

*(Note: Trustee Akana asked to be excused in order to provide testimony at the State Legislature. She left the meeting at 10:14 a.m.)*

**B. ARM 12-03: Review of the Native Hawaiian Trust Fund Spending Policy and Its Related Fiscal Reserve Withdrawal Guidelines**

**Trustee Apoliona MOVED, SECOND** by Trustee Waihe'e to approve, pursuant to Section V.A. of OHA's Native Hawaiian Trust Fund Spending Policy and Fiscal Reserve Withdrawal Guidelines as described in Attachment "A" (OHA Native Hawaiian Trust Fund Spending Policy) and in Attachment "B" (OHA's Native Hawaiian Trust Fund Spending Policy's Fiscal Reserve Withdrawal Guidelines), a satisfactory review with no modifications.

**Discussion**

**Hawley Alamodin, CFO**, reviewed OHA's spending policy and informed the Trustees that administration was offering no recommendation changes for the following reasons:

- The purpose of the Spending Policy is to maximize the long-term life of the portfolio and of its corpus.
- OHA has a 5% spending cap. Most spending policies calculate a similar spending limit.
- Although it is the Spending Policy that limits the amount OHA is able to spend, it is actually OHA's budget that limits actual spending. (Any future policy change in the spending limit will need to be collaborated between the spending limit and the core budget).
- The Fiscal Reserve Withdrawal Guidelines is currently limited to \$3 million annually. Any change in this policy will take a super majority vote of six trustees plus two (total of eight trustees in favor of change).

**Trustee Stender** reminded the Trustees that administration and committee members had considered reducing the 5% spending policy guideline in 2008 when the markets were doing poorly; however, since the budgeting process controls the spending, the decision was made not to because reducing the spending limit would have forced OHA to lay off employees, reduce operations, and cut back on funding grants. It was decided that it was a bad time to change the limit because the community's needs are great and jobs are hard to find in this difficult economic situation. **Trustee Stender** further stated it would also be unwise to cut into OHA's financial corpus to cover costs.

For the record, **Trustee Apoliona** stated that the policy review had been scheduled previously but for various reasons, the Committee was unable to approve the review with no recommended changes. Resource Management will present a review every two years as stated in OHA's policy.

There being no further discussion, the Committee Chair called for the question.

**MOTION PASSED by a unanimous vote of 5 – 0**

**C. ARM 12-04: Contract #2337 Supplemental Agreement #1 – DHHL Debt Service**

**Trustee Machado MOVED, SECOND by Trustee Apoliona to authorize the Chief Executive Officer to enter into a supplemental agreement to Contract #2337 between OHA and Department of Hawaiian Home Lands (DHHL) to allow OHA to prospectively discount its debt service commitment for the remaining 30-year term based on the general terms and conditions in Attachment 1 (Supplemental Agreement #1).**

**Discussion**

**Hawley Alamodin, CFO**, informed the Trustees that although she was presenting a review the uses of these funds, the action at hand specifically related to an existing agreement between OHA and DHHL. The amendment that was being proposed in the Action Item did not change OHA's commitment of \$3 million to DHHL for the 30-year period previously voted on.

**Ms. Alamodin** reviewed, with the Trustees, that in June 2008, they voted to approve a 30-year commitment to provide \$3 million per year debt service to DHHL's bond service that is to be used for DHHL's planning, design and infrastructure costs for projects on DHHL lands. The face value of the DHHL bond is in the amount of \$42.5 million.

Although DHHL's records do not show the same corresponding obligation amount, OHA's records currently shows an obligation of \$81 million (the reason is that DHHL's records shows the value of the issuance of the bond amount instead). The supplemental agreement, if approved, by the Trustees, will allow OHA to discount that \$81 million value on its books for accuracy and will increase OHA's future financing opportunities.

**Ms. Alamodin** shared a PowerPoint presentation for the Trustees' review (attached). She also thanked Alapaki Nahale'a [DHHL Director] for information provided for the presentation in order to inform the Trustees about the use of OHA's funds and where those funds had been spent to date. The Trustees requested DHHL administration be invited to a future meeting to share the progress of their projects as well as the capacity in which OHA's funds are being used for DHHL projects. **Trustee Hulu Lindsey** requested Mr. Nahale'a be invited to speak with the Trustees prior to his May 15 [2012] departure.

In response to **Trustee Apoliona's** inquiry, **Ms. Alamodin** confirmed that OHA has given DHHL approximately \$9 million to date (years 2010 - 2011). Funds for 2012 will be issued in May [2012].

There being no further discussion, the Committee Chair called for the question.

**MOTION PASSED by a unanimous vote of 5 – 0.**

**EXECUTIVE SESSION**

**Trustee Apoliona MOVED, SECOND by Trustee Hulu Lindsey to resolve into Executive Session pursuant to HRS 92-5(a)(3) and 92-5 (a)(4).**

**MOTION PASSED by a unanimous vote of 5 – 0.**

**The Trustees resolved into Executive Session at 10:35 a.m. and reconvened back into Public Session at 11:25 a.m.**

*(Note: Trustee Akana returned to the meeting at 11:17 a.m.)*

**ANNOUNCEMENTS**

None

**ADJOURNMENT**

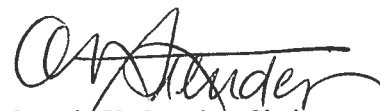
**Trustee Apoliona MOVED, SECOND by Trustee Hulu Lindsey to adjourn the April 18, 2012 meeting of the Committee on Asset and Resource Management.**

**Chair Oswald Stender adjourned the meeting at 11:26 a.m.**

Respectfully submitted,



Lei-Ann Durant, Aide/Secretary  
Committee on Asset and  
Resource Management



Oswald K. Stender, Chair  
Committee on Asset and  
Resource Management

Approved: May 2, 2012